

THE CANADIAN LUMBER INDUSTRY

The forest industry is one of Canada's most important industries. It employed almost 300 000 people in 1991 and contributed \$19 billion to Canada's gross domestic product. As an earner of export dollars, the forest industry is Canada's most important industrial sector. About 350 communities across Canada are dependent on the forest sector as their primary source of employment.

The softwood lumber industry is a significant component of the Canadian forest industry. The softwood lumber industry accounted for 21 percent of employment in the forestry sector in 1990. Canada is one of the largest producers of softwood lumber in the world. In 1990, Canada accounted for 14 percent of total world softwood lumber production, following only the United States (at 24 percent) and the former U.S.S.R. (at 22 percent). Within Canada, British Columbia is the principal producer of softwood lumber, accounting for 61 percent (by volume) of production in 1991. The next largest producer was Quebec, accounting for 17 percent of production by volume.

In 1990, Canada exported more softwood lumber than any other country, accounting for 37 percent (by value) of total world exports. The principal destination for these exports is the United States. In 1992, Canada exported over 13 billion board feet of softwood lumber to this market, worth approximately \$4.2 billion. Canada's share of the U.S. market varies from year to year. Market share peaked at 33 percent in 1985 and then dropped to a low of 27 percent in 1990. During the period 1990 to 1992, Canadian market share increased to 29 percent.

NORTH AMERICAN LUMBER PRICES AND DEMAND

During 1992, the financial situation for most Canadian forestry companies improved over 1991. However, the industry continues to incur losses. Losses in 1992 were approximately \$1.4 billion, or just over one half the losses recorded in 1991. The improvements in 1992 are attributed to a sharp jump in lumber prices during that latter part of 1992 and a decline in the value of the Canadian dollar. Western spruce-pine-fir two-by-four prices peaked at a record US\$475 per thousand board feet (MBF) in mid-March 1993, double the 1992 average price of US\$231 and 80 percent greater than the previous peak of US\$262 per MBF in 1979.

The sharp increase in lumber prices reflected the anticipated timber supply reductions in the U.S. Pacific Northwest, along with a forecasted increase in housing starts in the United States. However, the level of housing starts in the United States has not reached the anticipated levels. As a result, demand for lumber is below earlier expectations. While the